

CITY OF OCEAN SHORES
Grays Harbor County, Washington
January 1, 1990 Through December 31, 1991

Schedule Of Findings

1. The City Should Comply With Federal Cash Requirements

The city did not minimize the time elapsing between the receipt of Bonneville Power Administration (BPA) funds and the disbursement of such funds. The city received \$148,973 and spent \$127,730 of Northwest Energy Code Program (NWECP) funds through August 31, 1992. This left an outstanding advance payment of \$21,243 as of that date.

The public works department switched from a reimbursement to an advance basis to better respond to more timely payment demands from qualified residences. Initially, after residents qualified for the Northwest Energy Code Incentive Payments, the department requested reimbursement from BPA. Upon receipt of BPA's check, the department paid the residence owners. Contractors and homeowners complained about the slow process. In response, the public works department switched from reimbursements to advance requests without understanding the "Common Rule" as applied to cash management. Unspent portions of the advances remained in a non-interest bearing account for several months. This resulted in questioned interest costs in the amount of \$974. Our interest calculation was based on a conservative assumption of a five percent return in 1991, and a four percent return in 1992, which could have been earned on the idle funds.

The U.S. Office of Management and Budget's (OMB) "Common Rule" Subpart C, Section 20(b)(7) states in part:

Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

The "Common Rule" Subpart C, Section 21(c) states:

Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

We recommend the city and its public works department comply with the "Common Rule" and BPA instructions. Further, we recommend the city repay the \$974 of questioned interest costs. Additionally, we recommend the city return to a reimbursement basis to comply with the terms of their current contract with BPA.